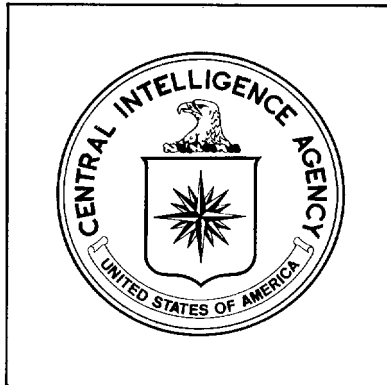


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# STAFF NOTES:

## Latin American Trends

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~~SECRET~~**LATIN AMERICAN TRENDS**

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Venezuela: "Venezuelization" Moves Forward

Generally overlooked in the attention accorded the continuing debate over nationalization of the petroleum industry are several recent actions taken by the Perez administration aimed at furthering the "Venezuelization" of foreign-owned businesses.

During the past several week, executive decrees have been promulgated affecting the small automotive and insurance industries and public accounting firms. On May 27, a decree set January 1, 1976 as the effective date for all foreign-owned automotive assembly companies to be converted into national or mixed enterprises. A week earlier, insurance companies and brokerage houses were given two years in which to become 80 percent Venezuelan owned; 90 days in which to have a majority of Venezuelans on the company board of directors, and 180 days for 75 percent of all "executive" rank personnel to be Venezuelan.

Public accounting firms are under similar instructions. For the moment at least some of them have complied with the regulations by adopting Venezuelan fronts. Sooner or later, however, a mere name change will probably not suffice and managerial personnel will have to choose between continuing as Venezuelan nationals--a formal change in nationality--or surrendering their positions.

Unpalatable as some of these new measures and restrictions may be, the local US businessmen appear to accept them as inevitable by-products of the rising nationalism in the country, the past high profile of US businesses, and Venezuelan adherence to the terms of the Andean Pact, especially Article 24. This article sets forth a wide-ranging list of industries that must become nationally owned by April 1977. It includes merchandizing and service operations as well as firms in the communications, transportation, and publishing fields.

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Inducements to the continued presence of foreign investors are the current economic boom, high profits, and low tax rates. Further, there is an added attraction in the creation of national companies in that massive oil revenues will be used by the government to spur industrial and agricultural development. These companies could be recipients of government loans and tax incentives, as well as other types of special financing and import duty exemptions. In a recent, albeit limited, US Embassy survey of US businessmen in Venezuela, most adopted a wait-and-see attitude, hoping that the more stringent aspects of the decrees and other regulations will be tempered by practical considerations for continuing economic development. At least for now there is no sense of panic or inclination on their part to pull up their currently lucrative stakes.

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Peruvian-Cuban Relations Cooling

Alleged Cuban meddling in Peruvian internal affairs has strained relations between the two countries.

25X1 [redacted] President Velasco has become concerned that the Cuban embassy is involved in fomenting labor and student unrest and is assisting ultra-leftist groups operating in Peru; last month he ordered all government ministries to restrict their contacts with Cuban embassy personnel and gave instructions that the Cuban ambassador be told to stop giving interviews and talks to Peruvian groups. These restrictions, if enforced, may seriously erode the influence that Cuban officials have been able to exert in such government departments as the Ministry of Agriculture, the National System of Support for Social Mobilization (SINAMOS), and the National Center of Training and Studies for Agrarian Reform.

Cuba has been able to work through these organizations because of Peru's lack of experience in agrarian reform and social mobilization. For example, in the Agriculture Ministry, Cuba was able to provide Peru with technical assistance in sugar and rice cultivation. Cuban embassy officers have also spent much time cultivating the leadership of SINAMOS and have arranged for many of its personnel to go to Cuba for training and orientation.

By working through SINAMOS and other governmental organizations the Cubans have tried to establish a foothold at the grass-roots level, ostensibly to ensure that the Peruvian government can count on popular support as it implements its revolutionary program. The Cubans have also been assuming that the government may become more moderate after Velasco leaves the scene and they probably hope to work through the mass organizations to influence the new government.

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Romania Seeks New Latin Ties

Economic discussions and agreements dominated President Ceausescu's talks in Brazil and Mexico from June 4 to 11. Although political topics were generally played in a low key, Ceausescu did impress his hosts with Romania's determination to pursue an independent foreign policy. He also stressed--sometimes beyond comfortable limits--Romania's common Latin heritage with both countries.

In Brasilia, Ceausescu signed a number of economic agreements, including a \$150 million credit pledge for Brazilian metallurgical projects, an agreement on pharmaceutical production, and a \$10 million commercial credit from the Romanian commercial bank. Brazil agreed to supply 25 million tons of iron ore to Romania between 1975 and 1985. The Soviets have heretofore been the main supplier of this vital raw material to Romania, and Bucharest is evidently trying to reduce this dependency.

On the lighter side, US diplomats in Brasilia report encountering numerous Brazilian foreign ministry officials "in an emotional state approaching fury." Their anger mainly stemmed from Bucharest's seemingly never-ending demands for changes in schedule and itinerary. As one official put it, these problems were particularly galling because "Ceausescu not only invited himself, but insisted on coming." The Brazilians were also annoyed by security men masquerading as cooks, hair dressers, and tailors. One Brazilian was heard to say "the Romanians are even more Latin than we are!"

In Mexico, Ceausescu signed eleven scientific, economic and cultural agreements. The two sides also issued a "solemn declaration" stressing the rights and freedom of all states in international relations.

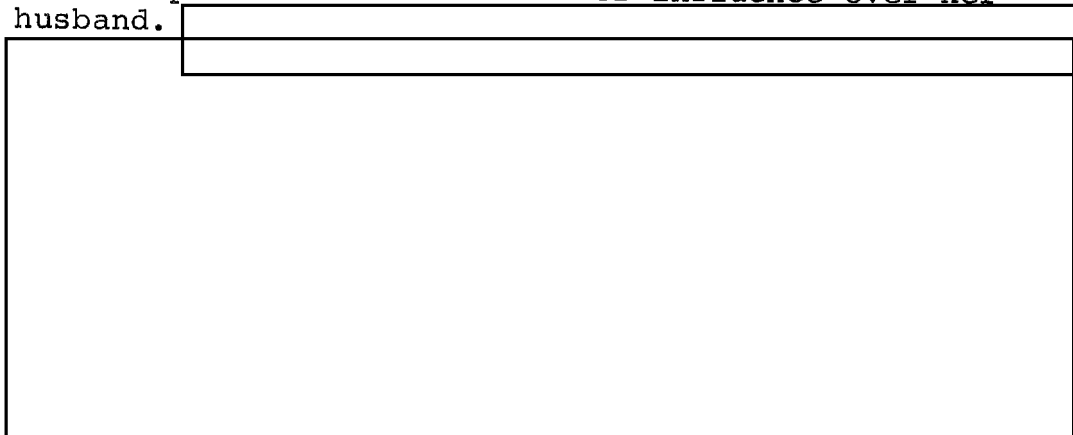
On the personal side, Mexican President Echeverria was particularly impressed by Romania's "energetic search"

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for independence from the USSR. The Mexican President was also struck by both Mrs. Ceausescu's command of political issues and her influence over her husband.



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Colombia: Murder of Another Politician

A third murder, possibly political in nature, has taken place near the town of Caicedonia in Valle Department. The killing on June 11 of Eulogio Aguilar Diaz, a member of the Liberal Party departmental directorate, followed by seven weeks the murder of Hernando Alvarez Correa, a prominent local leader of the Conservative Party (see Latin American Trends, April 30, 1975). Alvarez had been questioned in connection with the killing of a Liberal Party official near Caicedonia last year.

The governor of Valle has called on Liberals and Conservatives in Caicedonia to refrain from violence. He also announced that leaders of the two parties as well as the National Popular Alliance would meet with him to reaffirm a peace agreement they apparently reached after the murder of Alvarez. The governor's remarks, coupled with press accounts of the murders, strongly suggest that politics and not common crime or guerrilla activity underlies the killings.

Mass media in Colombia have largely ignored this third murder. This is the sort of story that responsible media leaders would willingly overlook if they sensed the shadow of the Liberal-Conservative violence that took more than 100,000 lives in the 1940s and 1950s. If indeed these are political killings, it is likely that the vast majority of leaders of both parties will take extraordinary measures to prevent their mutual antagonism from taking root in violence again.

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Panama: "Rackets and Bribery"

General Torrijos has launched an investigation of corruption charges among low- and middle-grade National Guard officers in the wake of the arrest of a retired lieutenant colonel who was head of the government's telecommunications agency. The official has publicly admitted that he took part in a kickback scheme involving a cousin of Vice President Sucre. The government-controlled press has been playing up the actions against the telecommunications official as evidence of the administration's determination to take firm measures to eliminate corruption.

Torrijos has ordered an investigation of 14 middle- and 18 junior-grade officers. Some of them will be cashiered and others will be reprimanded. One senior officer, Lt. Col. Pedro Ayala, chief of the police section of the Guard, has also been questioned about his financial dealings.

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During the past two months there has been an upsurge in the usual current of rumors about corruption of Guard officers, along with other attacks on his government by critics. Apparently Torrijos now has decided that the level of corruption is becoming too high, and that now is the time to reduce his vulnerability at least on this issue. On the other hand, harsh action against senior Guard officers, who have reaped the greatest financial benefits, could cause problems for him within the Guard at a time when the institution's unity and support are essential to ward off the attacks that will inevitably be leveled against him if a new canal treaty is signed, no matter how favorable to Panama it is. Therefore, he is starting to move at the low and middle levels, hoping to have an impact on the higher echelons without the necessity of public disclosures or endangering the unity of the Guard.

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Panama: UN Security Council Seat

According to the Panamanian government, Argentina has ceded to Panama its bid for the seat on the UN Security Council that will be left vacant by Costa Rica at the end of the year. Panama thus seems assured of gaining the two-year term.

General Torrijos has described the Argentine move as a major diplomatic victory for Panama. His government effectively used the Security Council session held in Panama in 1973 to gain sympathy for its canal treaty aspirations, and Torrijos is already gathering ammunition to use in the Council next year in case the negotiations with the US break down.

Another opportunity for Panama to present its case could be a conference that Torrijos intends to host on July 28 to consider establishment of the Latin American Economic System (SELA). Mexico and Venezuela have been the most active proponents of this regional organization, which would exclude the US.

Meanwhile, Torrijos is continuing to collect pledges of support on the canal issue from individual Latin American countries. A delegation now touring the Caribbean has garnered commitments from Cuba and the Dominican Republic.

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Uruguay and the Brain Drain

A continuing high level of emigration has made Uruguay unique in Latin America--the only country to experience a decline in annual population growth. Official estimates have attempted to distort the facts by reporting a growth rate of 1.0 percent, but a recent study by the International Monetary Fund reveals that approximately one fifth of the population has emigrated since 1970, resulting in a growth rate of only 0.5 percent.

More important than the quantity of emigrants is the quality--principally young, professional males who seek greater economic opportunities in neighboring Argentina. Consequently skilled labor is becoming sparse, craftsmen are increasingly hard to find, the policemen experience difficulties in hiring enough recruits, and the national petroleum complex (ANCAP) is suffering from a scarcity of engineers.

Despite government efforts to stem the outflow, emigration continues. Last year, the responsibility of issuing passports was delegated to the police, who attempted to deter emigration by telling passport applicants to return at a later date. Subsequently, however, the authorities have become much more relaxed in order to concentrate efforts on creating jobs and improving the economic environment as a long-term solution.

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Antigua: Taking On A Multinational

Premier George Walter has announced that his government will buy out and nationalize the island's sole petroleum refinery and its related facilities. Title to the properties is currently held by the West Indies Oil Company, a wholly owned subsidiary of the California-based Natomas Company. West Indies Oil estimates the value of its holdings on Antigua at \$80 million, but less involved appraisers put the value at a maximum of \$15-20 million.

Since 1967, when it began operation, the refinery has experienced a number of problems. Its productive capacity of 18,000 barrels per day is too small to be profitable. It is remote from crude oil suppliers and potential export customers and, finally, has a history of labor troubles.

Nationalization alone will not solve these problems, but Walters may have found a way to deal with some of them. On recent trips to the Middle East and Venezuela, he may have sought and received promises of a steady supply of crude oil and financial assistance in buying and operating the refinery.

His motivation, however, is less economic than political. As a member of the opposition Progressive Labor Party when the previous government, controlled by the Antiguan Labor Party, permitted West Indies Oil to locate on the island, Walter believed many features of the concession agreement were entirely too generous. Since becoming premier in 1971, he has repeatedly sought to renegotiate or circumvent the terms of the agreement. Now, with general elections scheduled for no later than May 1976, the premier probably sees the role of a David struggling with a multinational Goliath brought in when the opposition was in power as an effective vote-getting device.

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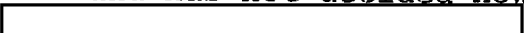
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Honduras: Trouble With Campesinos

The Melgar administration, beset by criticism of its handling of rural reform, is heading toward a major confrontation with landless campesinos.


Last month, peasants affiliated with a small militant Christian Democratic labor confederation invaded private lands in order to force the government to distribute unused property among unemployed workers. The invaders soon complied with the government's ultimatum to abandon the lands, but not before over 130 of them were arrested. The peasants say they will continue to raise havoc until all charges are dropped and the prisoners released. Last week, they blocked several key roads throughout the northern part of the country, and agitators marched through San Pedro Sula, the country's second largest city.

For the moment, things are at a stand-off. The campesinos have agreed to halt the disruptions in the hope that their demands will be met, but this will be no easy matter for the government. Giving in would alienate the landowners, who are wary of any changes in land distribution and argue that the lawbreakers must be punished. A hard stand against the workers might drive the country's largest campesino organization as well as independent workers to join the more militant groups, and the violence that would almost certainly ensue would further weaken the government's position, not only among campesino and labor groups but with the public at large.

Regardless of how the current problem unfolds, Honduras appears to be heading for more unrest. Anxious for rural reform, more and more workers are joining unions that have demonstrated their ability to challenge authorities. Students and politicians are attempting to exploit the prevailing uncertainty in their campaign for a return to constitutional rule. The government, meanwhile, is still putting its house in order in the wake of Lopez' ouster and has not decided how to implement agrarian reform. 

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Trinidad-Tobago: Prime Minister Back on the Road

Prime Minister Eric Williams has just embarked on his third extensive foreign swing within a year. The current trip will take him to Cuba (June 18-22), New York (June 22-27), London (June 28-30), the USSR (June 30-July 7), Romania (July 7-12), the Netherlands (July 13-16), Austria (July 16-17), and back to Port of Spain on July 18.

Williams intends to make the law of the sea as it affects the Caribbean one of the main points of discussion at each stop. He also plans to cover the role that should be played by the recently formed Caribbean Committee of the UN Economic Commission for Latin America, the expansion of trade, and the impact of science and technology on the developing nations.

The Prime Minister will be breaking new ground on this trip by visiting for the first time three Communist countries with which Trinidad has only recently established diplomatic relations. His stop in Havana seems to be another indication of the growing acceptance of Cuba by its English-speaking Caribbean neighbors. Williams' visit was preceded by one only two months ago by Prime Minister Forbes Burnham of Guyana; Prime Minister Michael Manley of Jamaica will be arriving in July.

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